



Supervisory Update News Summary

AS OF APRIL 15, 2016

TITLE	TYPE/DATE	DESCRIPTION	SOURCE
CFPB Rule Broadens Qualified Mortgage Coverage of Lenders Operating in Rural and Underserved Areas	News Release March 22, 2016	The CFPB issued an interim final rule that broadens the availability of certain special provisions for small creditors that operate in rural or underserved areas. The new rule, which takes effect March 31, 2016, implements Congress's recent legislation, the Helping Expand Lending Practices in Rural Communities (HELP) Act, that allowed more small creditors operating in rural or underserved areas to take advantage of these provisions.	CFPB
CFPB Issues Advisory and Report for Financial Institutions on Preventing Elder Financial Abuse	News Release March 23, 2016	The CFPB issued an advisory and a report with recommendations for banks and credit unions on how to prevent, recognize, report, and respond to financial exploitation of older Americans. Financial exploitation, the illegal or improper use of a person's funds, property or assets, is the most common form of elder abuse and costs seniors billions of dollars per year.	CFPB
Commissioner Testifies Before the House Committee on Investments and Financial Services on Interim Charges Relating to Community Banks	Testimony March 29, 2016	Banking Commissioner Charles G. Cooper testified before the Texas House Committee on Investments and Financial Services with an overview of the Department; a profile of regulated entities; challenges facing the banking and MSB industries; and updates on the implementation of legislation passed by the 84 th legislature.	TDB
Commissioner Testifies Before the House Committee on Investments and Financial Services on Interim Charges Relating to Community Banks	Testimony April 12, 2016	Banking Commissioner Charles G. Cooper testified before the Texas House Committee on Investments and Financial Services on the status of Community Banks in Texas. The testimony was provided for the interim charges to study the impact on local communities when community banks are consolidated and how this changes the landscape of banking in Texas; and evaluate how the state can help expand charter opportunities in Texas.	TDB

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Commissioner and Director of IT Security Examinations Testify Before the House Committee on Investments and Financial Services on Interim Charges Relating to Cybersecurity	Testimony April 12, 2016	Banking Commissioner Charles G. Cooper and the Director of IT Security Examinations Phillip Hinkle testified before the Texas House Committee on Investments and Financial Services. The testimony was provided to assist the committee with the interim charges to study the current state of cybersecurity of financial institutions in Texas and review state and federal laws, and evaluate what additional steps need to be taken to make financial institutions in Texas more secure.	TDB
Federal Disaster Declaration Granted for Texas Counties	Press Release March 19, 2016	The federal government granted Governor Greg Abbott's request for Individual and Public Assistance for Orange, Jasper and Newton counties which were affected by severe weather and flooding in March.	TxGov
Agencies Release Guidance to Issuing Banks on Applying Customer Identification Program Requirements to Holders of Prepaid Cards	PR-22-2016 March 21, 2016 FIL-21-2016 March 21, 2016 SR 16-7 March 21, 2016	Federal financial institution regulatory agencies issued guidance clarifying the applicability of the Customer Identification Program (CIP) rule to prepaid cards issued by banks. The guidance clarifies that a bank's CIP should apply to the holders of certain prepaid cards issued by the institution as well as holders of such prepaid cards purchased under arrangements with third-party program managers that sell, distribute, promote, or market the prepaid cards on the bank's behalf. The guidance describes when, in accordance with the CIP rule, the bank should obtain information sufficient to reasonably verify the identity of the cardholder, including at a minimum, obtaining the name, date of birth, address, and identification number, such as the Taxpayer Identification Number of the cardholder.	FDIC FRB OCC NCUA FinCEN

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FDIC Makes Public February Enforcement Actions	PR-24-2016 March 25, 2016	<p>The FDIC released a list of orders of administrative enforcement actions taken against banks and individuals in February. Included in the list was:</p> <p><i>Termination of Consent Orders</i></p> <p>First State Bank, Mesquite, TX, Issued 2/11/2016</p> <p>Jourdanton State Bank, Jourdanton, TX, Issued 2/22/2016</p> <p><i>Removal/Prohibition Order</i></p> <p>Cory N. Cole, Citizens State Bank, Buffalo, TX, Issued 2/17/2016</p>	FDIC
FDIC Issues List of Banks Examined for CRA Compliance	PR-25-2016 April 4, 2016	The FDIC issued its list of state nonmember banks recently evaluated for compliance with the CRA. The list covers evaluation ratings that the FDIC assigned to institutions in January 2016. One Texas state-chartered bank reviewed during this period received an “Outstanding” rating. All other Texas state-chartered banks reviewed received a “Satisfactory” rating.	FDIC
FDIC Publication Focuses on Corporate Governance	PR-26-2016 April 5, 2016 FIL-23-2016 April 5, 2016	The FDIC issued a special edition of <i>Supervisory Insights</i> , "A Community Bank Director's Guide to Corporate Governance: 21 st Century Reflections on the FDIC Pocket Guide for Directors." This special corporate governance edition highlights key governance concepts, roles, and responsibilities of directors and senior management, and discusses how FDIC examiners evaluate governance at community banks. A list of resources, with links to regulations, guidance, and training materials, is included.	FDIC

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FDIC Rescinds De Novo Time Period Extension; Releases Supplemental Guidance on Business Planning	PR 27-2016 April 6, 2016	<p>The FDIC rescinded FIL 50-2009, <i>Enhanced Supervisory Procedures for Newly Insured FDIC-Supervised Depository Institutions</i>. The FIL, among other measures, extended the de novo period for newly organized, state nonmember institutions from three to seven years for examinations, capital maintenance, and other requirements. It was issued against the backdrop of an elevated number of newly insured institutions that had either failed or had been identified as problem banks during the financial crisis.</p> <p>Since the issuance of the guidance, the FDIC has adopted regulations and guidance that apply to all supervised institutions to strengthen their resiliency and risk-management practices. Further, the FDIC has enhanced its programs and procedures through a more forward-looking approach to supervision. Collectively, the processes and guidance address the supervisory objectives of the 2009 FIL.</p> <p>Also, the FDIC issued a supplement to its November 2014 guidance related to the Statement of Policy on Applications for Deposit Insurance. The guidance is in a question-and-answer format to aid applicants who are developing proposals for deposit insurance. The supplemental questions and answers focus on the development of business plans.</p>	FDIC
Agencies Announce Determinations and Provide Feedback on Resolution Plans of Eight Systemically Important, Domestic Banking Institutions	PR-31-2016 April 13, 2016	<p>The FDIC and the FRB jointly announced determinations and provided firm-specific feedback on the 2015 resolution plans of eight systemically important, domestic banking institutions.</p> <p>The agencies have jointly determined that each of the 2015 resolution plans of Bank of America, Bank of New York Mellon, JP Morgan Chase, State Street, and Wells Fargo was not credible or would not facilitate an orderly resolution under the U.S. Bankruptcy Code, the statutory standard established in the Dodd-Frank Act. Each firm must remediate its deficiencies by October 1, 2016. If a firm has not done so, it may be subject to more stringent prudential requirements.</p>	FDIC FRB
Supplemental Guidance Related to the FDIC Statement of Policy on Applications for Deposit Insurance	FIL-24-2016 April 6, 2016	The FDIC issued supplemental "Questions and Answers" (Q&As) to aid applicants in developing proposals for deposit insurance. The Q&As address business planning, provide additional transparency to the application process and supplement the guidance issued November 20, 2014, through FIL 56-2014 .	FDIC

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Regulatory Relief: Guidance to Help Financial Institutions and to Facilitate Recovery in Areas of Texas Affected by Severe Storms, Tornadoes and Flooding	FIL-26-2016 April 7, 2016	The FDIC has announced a series of steps intended to provide regulatory relief to financial institutions and to facilitate recovery in areas of Texas affected by severe weather. The FDIC is encouraging depository institutions in the affected areas to meet the financial services needs of their communities.	FDIC
Federal Reserve Survey Provides Information on Mobile Financial Services	Press Release March 30, 2016	Mobile banking use continued to rise last year as smartphone adoption grew and consumers were increasingly drawn to the convenience of mobile financial services, according to a Federal Reserve Board report, <i>Consumers and Mobile Financial Services 2016</i> . As of November 2015, 43% of adults with mobile phones and bank accounts reported using mobile banking--an increase of 4 percentage points from the prior year's survey.	FRB

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TITLE	TYPE/DATE	DESCRIPTION	SOURCE
Federal Reserve Board Finalize a Rule Adding Certain Investment Grade General Obligation State and Local Municipal Bonds To Types of Assets Big Banks May Hold to Meet Liquidity Needs During Time of Financial Stress	Press Release April 1, 2016	<p>The FRB finalized a rule to include certain U.S. general obligation state and municipal securities in the range of assets large banking organizations may use to satisfy regulatory requirements designed to ensure that these banking organizations have the capacity to meet their liquidity needs during a period of financial stress.</p> <p>The final rule allows investment-grade, U.S. general obligation state and municipal securities to be counted as high-quality liquid assets (HQLA) up to certain levels if they meet the same liquidity criteria that currently apply to corporate debt securities. The limits on the amount of a state's or municipality's securities that could qualify are based on the liquidity characteristics of the securities.</p> <p>The final rule applies only to institutions supervised by the FR and subject to the liquidity coverage ratio (LCR) requirement:</p> <ul style="list-style-type: none"> • bank holding companies, certain savings and loan holding companies, and state member banks with \$250 billion or more in total consolidated assets or \$10 billion or more in on-balance sheet foreign exposure; • state member banks with \$10 billion or more in total consolidated assets that are subsidiaries of the above entities; • nonbank financial companies designated by the Financial Stability Oversight Council for Board supervision, to which the Board has applied the LCR requirement by separate rule or order; and • bank holding companies and certain savings and loan holding companies with \$50 billion or more in total consolidated assets, to which a less stringent LCR applies. <p>Community banks are not subject to the LCR requirement.</p>	FRB
Mortgage Performance Improves Through Fourth Quarter of 2015, OCC Reports	NR 2016-36 March 30, 2016	The <i>OCC Mortgage Metrics Report, Fourth Quarter 2015</i> , showed 94.1 percent of mortgages included in the report were current and performing at the end of the quarter, compared with 93.9 percent a quarter earlier. The report also showed that foreclosure activity has declined steadily since the end of 2013, decreasing 15.9 percent from the end of 2014.	OCC

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OCC Reports Fourth Quarter 2015 Bank Trading Revenue Declines to \$4.3 Billion	NR 2016-38 March 30, 2016	Trading revenue of U.S. commercial banks and savings associations fell to \$4.3 billion in the fourth quarter of 2015 down from \$5.3 billion in the previous quarter, according to the OCC's <i>Quarterly Report on Bank Trading and Derivatives Activities</i> .	OCC
OCC Releases Its Risk Appetite	NR 2016-44 April 12, 2016	<p>The OCC released its <i>Risk Appetite Statement</i>, which sets boundaries of acceptable levels of risk in key areas of agency operations.</p> <p>The <i>Risk Appetite Statement</i> documents the agency's overall conservative risk appetite. The OCC will accept low levels of risk in supervision, strategic, reputation, technology, operational, and financial decisions and accept moderate risk in human capital, legal and external decisions. According to the statement, the OCC will accept more risk in some areas to remain nimble, and can adapt to the changing needs of supervising national banks and federal savings associations. Agency management and employees will use the statement to evaluate their decisions and actions during the course of overseeing national banks and federal savings associations as well as the execution of agency management functions such as human resources, procurement, and information technology.</p>	OCC
Frequently Asked Questions Regarding Prepaid Access	FIN-2016-G002 March 24, 2016	These FAQs are in addition to, and supplement, the FAQs entitled "Final Rule – Definitions and Other Regulations Relating to Prepaid Access," which were issued on November 2, 2011.	FinCEN
Kingpin Act Designations – OFAC Specially Designated Nationals List Update	Press Release April 14, 2016 OFAC Actions April 14, 2016	OFAC designated brothers Job, Ismael, and Ruben Laredo Donjuan, as well as the Laredo Drug Trafficking Organization (Laredo DTO), as Specially Designated Narcotics Traffickers pursuant to the Foreign Narcotics Kingpin Designation Act (Kingpin Act). OFAC also designated five other Mexican nationals for their criminal activities in support or on behalf of the Laredo Drug Trafficking Organization or its leadership. As a result, all assets of those designated that are based in the United States or in the control of U.S. persons are frozen, and U.S. persons are generally prohibited from engaging in transactions with them.	USTreas-OFAC

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FASB Announces Members of Transition Resource Group for Credit Losses	News Release March 22, 2016	<p>FASB announced the members of the Transition Resource Group (TRG) for its upcoming credit losses standard. The TRG will solicit, analyze, and discuss implementation issues that could arise when organizations implement the upcoming credit losses standard. The group will then share their views with the FASB, which will help the Board determine what, if any, action is appropriate to address those issues. The TRG also will provide stakeholders with a forum to learn about the new standard from others involved with implementation.</p> <p>TRG members include financial statement preparers (including community banks and credit unions), auditors, users, and financial services regulators. Representatives from the FRB, OCC, FDIC, NCUA, and the Federal Housing Finance Agency will participate on a rotating basis.</p> <p>FASB expects to issue the credit losses standard in mid-2016.</p>	FASB

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INDUSTRY PUBLICATIONS
FDIC Supervisory Insights – Special Corporate Governance Edition
FRB Beige Book – April 13, 2016
OCC Mortgage Metrics Report, Fourth Quarter 2015
OCC's Quarterly Report on Bank Trading and Derivatives Activities: Fourth Quarter 2015

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OTHER RESOURCES
Bloomberg Business and Financial News
Consumer Financial Protection Bureau (CFPB)
The Financial Forecast Center - Discount Rate Information
FFIEC Information Technology Handbook InfoBase
FFIEC BSA/AML Examination Manual InfoBase
Financial Accounting Standards Board (FASB)
Financial Action Task Force (FATF)
Financial Crimes Enforcement Network (FinCEN)
FinCEN - Money Services Businesses (MSB)
Office of Foreign Assets Control, U.S. Treasury (OFAC)
Real Estate Market Reports (Texas A&M RE Center)
Temporary Liquidity Guarantee Program
Texas Constitution and Statutes
The Texas Economy – Texas Comptroller
Texas and National Economy – Federal Reserve Bank of Dallas
Troubled Asset Relief Program (TARP)
Uniform Bank Performance Reports (UBPR) and Users Guide